

State of California
Department of Personnel Administration

Stake a Claim for Your Future



Savings Plus Program

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This publication is designed to assist State of California Savings Plus Program participants learn more about the program options available. All information is based on rules, laws and policies in effect at the time of printing.



STAKE A CLAIM FOR YOUR FUTURE

Table of Contents

SECTION I --- THE SAVINGS PLUS PROGRAM

THE SAVINGS PLUS PROGRAM	5
ELIGIBILITY AND ENROLLMENT.....	7
INVESTMENT VARIETY	9
CORE FUNDS AND SELF-DIRECTED ACCOUNTS.....	12
FEES	14
PLAN DIFFERENCES	15
401(K) LOANS.....	18
CATCH UP PROVISION.....	20
MAKING CHANGES	22
TRANSFERRING INVESTMENTS.....	24
RECORDKEEPING SERVICES.....	25
ROLLOVERS OR PLAN TRANSFERS.....	26
SAVINGS PLUS PROGRAM RESOURCES	27

SECTION II --- PLANNING FOR YOUR RETIREMENT

ARRANGING FOR PAYMENTS.....	31
CHOOSING THE METHOD OF PAYMENT	33
PAYMENT OPTIONS FOR BENEFICIARIES.....	40
PAYMENTS.....	41
GLOSSARY OF TERMS.....	42
INDEX	45



THE SAVINGS PLUS PROGRAM

The Department of Personnel Administration administers the Savings Plus Program (SPP) for State of California employees. This voluntary program offers eligible employees the opportunity to invest pre-taxed income in two plans authorized by the Internal Revenue Code (IRC). Both plans are designed as long-term savings and investment programs to supplement retirement income. They offer a wide range of investment options with various levels of security or risk. All invested funds, including earnings and dividends, grow on a tax-deferred basis until withdrawn.

The two plans are:

- **Thrift Plan (IRC 401(k))**
- **Deferred Compensation Plan (IRC 457)**

While you are employed with the State of California, one of the most important decisions that you will have to make about your future is when to enroll and how much to invest in the Savings Plus Program. As you approach your retirement years and begin to plan for the next portion of your life, the most important decision is how to make the best use of your accumulated funds.

Only three out of every 100 working people really plan for their retirement needs.

According to the American Association of Retired Persons (AARP), you will need about 75% of your working income when you retire to maintain your current standard of living.

Planning for a Financially Secure Retirement

To plan for a financially secure retirement, you need to consider the following:

- When will you retire?
- How long will your retirement benefits need to last?
- How much income will you need?
- How much money will you receive from Social Security and your pension plan?

Social Security

Social Security and your pension income can fall short of your retirement needs. That is why the Savings Plus Program is important! It can supplement these benefits.

You can obtain an estimate of your social security benefits by requesting a copy of Form SSA 7004, "Personal Earnings and Benefit Estimate Statement," from the Social Security Administration (SSA). The telephone number is 1-800-772-1213.

What Long Term Savings Can Mean for You

Both the 401(k) Thrift Plan and the 457 Deferred Compensation Plan (DCP) offer you excellent tax advantages.

- Because deferrals (payroll deductions) are not reported as part of your W-2 earnings, you pay no federal or state tax on them until they are withdrawn.
- Your deferrals grow from interest, capital appreciation, or dividends. These gains remain in your account, you don't need to report them on your federal or state income tax returns. Instead they continue to grow tax-deferred until you withdraw your funds.

Regardless of which plan you choose — or if you choose to have accounts in both plans — the sooner you start saving, the longer your account has to grow. Also, because the gains, which include interest and dividends, from your deferrals grow tax-deferred, your account has an added boost that adds up quickly!

If you are like most Americans, you will spend half your life working. Wouldn't it be nice to spend the second half enjoying the rewards of your hard work without financial worry?

We've all known people who retire and in two or three years — because of insufficient monies — find they can't afford to do some things they had planned. Don't let this happen to you! Let the Savings Plus Program help you attain peace of mind by adding to your financial security.



ELIGIBILITY AND ENROLLMENT

How and When to Enroll

There is no "open enrollment" period for the Savings Plus Program, you may enroll any time! Most permanent State of California employees are eligible to participate. This voluntary program is not an ordinary savings account that can easily be drawn upon. It is a long term savings program and the Internal Revenue Code restricts your access to these monies. Each plan allows for early withdrawal due to emergency or hardships pursuant to specific criteria. You should **NOT** participate in the Savings Plus Program if:

- All of your income is needed to meet current financial obligations; or
- Money is not available for short-term needs such as vacation, holidays, etc.

Decide How Much to Invest and Where to Invest it

The only way you may participate in either plan is by payroll deduction. The minimum amount you can defer to either plan is \$20 per month. (All deferrals must be in whole dollar amounts.) The maximum deferrals are:

457 DCP	401 (k) Thrift Plan
• \$8,000 or 25% of your taxable gross salary* whichever is less.	• \$10,500 or 20% of your taxable gross salary*, whichever is less.

** Taxable gross salary: The amount of your pay that is subject to federal and state taxes. It is shown on most pay stubs as "taxable gross."*

If you have deferrals to **both** plans, your combined yearly deferrals are limited to no more than **\$8,000 or 25%** of your taxable gross salary, *whichever is less*.

When deciding how much to defer, keep in mind that you will need at least 75% of your current income to maintain your standard of living in retirement. Don't be discouraged if you're unable to defer the maximum. You can always increase the amount later.

Once you choose to enroll in the SPP, you must:

- Decide if the 457 DCP or the 401(k) Thrift Plan is best suited for you (or, you may participate in both);

- Complete the Savings Plus Program Transaction Authorization Form, (SPP 2000), and return it directly to the Savings Plus Program Office. By return mail, you will receive a PIN and instructions on how to use your telephone or computer to specify your deferral amount and investment option(s).

Who Cannot Participate in the Savings Plus Program

The following employees are **prohibited** from participating in the program:

- Part-time, seasonal or temporary employees who are mandatorily contributing to the PST (Part-Time, Seasonal, Temporary) Retirement Plan.
- Retired annuitants (employees receiving a retirement allowance from CalPERS)
- Employees who contribute to an Internal Revenue Code Section 403(b) TSA Plan Tax Sheltered Annuity in the same tax year --- unless a letter from the 403(b) Plan administrator certifying the total amount contributed to the 403(b) Plan in the current tax year is submitted along with a SPP Transaction Authorization Form. Combined contributions to the 403(b), 457 DCP, or 401(k) Thrift Plans may not exceed the aggregate maximum allowed for any given tax year.

Contributing to the Plan While Receiving a 457 Distribution

Once you have requested distribution of your 457 DCP account, you cannot rescind that request. If you return to State service on a permanent basis, you may again request payroll deferrals for the SPP. Even if you are receiving periodic payments from the SPP, you may request payroll deferrals. Before payroll deferrals can start, you must notify the SPP so that a secondary account can be established. Your existing distribution will not be affected by the second program enrollment.

When Deferrals Begin

The earliest payroll deductions can begin is the next *payroll period*. To begin with the closest payroll period, your Transaction Authorization Form must be processed by the Savings Plus Program office by the 15th day of any month.

When Deferrals are Invested

For employees paid monthly, deferrals are invested no later than the 3rd of each month. For employees paid semi-monthly, deferrals are invested no later than the 25th of each month.

Before the deferrals are forwarded to the investment firms, they are held in a short-term account at the State Treasury. This is done so that payroll adjustments can be processed. The interest earned while in this short-term account is used by the Savings Plus Program to help pay administrative costs.



INVESTMENT VARIETY

Variety of Investment Choices

You decide where to invest your money. Both the 401(k) Thrift Plan and the 457 DCP offer the same investment options. These options range from funds with low risk to funds with high risk.

Here is a brief description of the various types, or categories, of investment options available. They are grouped into basic categories: stable principal funds, bond funds, balanced funds, and equity funds and a self-directed account.

Stable Principal Funds Each of the stable principal investment options may invest in different low-risk products. Examples of low-risk products may include cash, bank certificates of deposit (CDs), or guaranteed insurance contracts.

Bond Funds Bond funds invest in a variety of government and corporate debt securities known as bonds, or fixed-income securities. These securities pay interest. Depending on the bond fund, the portfolio may include corporate bonds, U.S. Treasury bills, notes and bonds, or other government securities such as "Ginnie Maes."

Balanced Funds Balanced funds generally invest in a combination of stocks (equities) and bonds. These funds change their mix of investments to keep pace with changing market conditions. A balanced fund's prospectus explains the flexibility the fund manager is permitted in shifting assets between stocks and bonds.

Equity Funds Equity funds invest in stocks. Stocks are shares representing ownership in a corporation. Equity funds may differ in objective and investment policy. One equity fund may pursue an aggressive policy in search of higher returns, while another equity fund may seek growth with less risk.

Self-Directed Account* If none of the core investment options meet your needs, you may choose to use the Self-Directed Account (SDA) to select from a wider variety of investment choices. See *Self-Directed Accounts* for more information about this option.

** Other SPP materials may refer to this as a Self-Managed Account.*

Risk Tolerance

Before selecting your investment option(s), you need to decide your "risk tolerance." Generally speaking, the more risk you are willing to take, the greater the opportunity for return. "Risk" refers to the chance that invested principal may not grow as much as expected or that the original investment could decline in value. "Return" is defined as interest or dividends received on an investment, plus any increase or decrease in market value.

Safety, income, and growth ---- whatever your investment goals for the future, the Savings Plus Program retirement plans offer all three.

Safety If **SAFETY** is your goal, you might want a high degree of certainty that you will receive back all of the money you have invested. You would want investments that have a minimum amount of risk. This type of investing is usually associated with Stable Principal Funds.

Income If **INCOME** is your goal, you want a regular or steady source of revenue. This involves slightly more risk-taking since the value of your investment may fluctuate. This type of investing is usually associated with BONDS and BOND FUNDS.

Growth If **GROWTH** is your goal, you want the value of your investment to grow over time. To achieve this goal, you may consider investing in stock or EQUITY FUNDS. Growth occurs when the sales price of the stock increases or when your investment earns dividends that are reinvested. This objective generally has the most amount of short-term risk, but it also has the highest potential for long-term gain.

Investment Strategy

After deciding your goals, you must decide how much risk you are willing to accept. Only then can you decide the mix of investments that is right for you. Your 401(k) Thrift Plan and 457 DCP account(s) are only a part of your total investment portfolio.

Your pension plan, after-tax savings accounts, Social Security benefits, and any other investments are also part of your portfolio.

Whichever investments you select, because you make regular deferrals through payroll deduction, you receive the benefit of **“Dollar Cost Averaging,”** a proven tool to help you lower the average cost of your investment.

“Time Horizon” — Years Until Retirement or Need for Your Money

The time you have to make your investment grow is called your "time horizon." A longer time horizon allows you to benefit from investments with higher risk. This is because the longer your money has to work for you, the better your chances of surviving the short-term effects of market downturns. Remember that investments with higher risk also have a greater opportunity for long-term return. Usually a period of five years or less is considered a short time horizon.

After you have decided your investment strategy, you will need to review the performance of your portfolio. Most financial advisors suggest that this review should be done only once or twice a year. If necessary, you may need to make some changes to be consistent with your personal objectives.

Diversification

Most financial advisors suggest a combination of stable principal funds, bonds, and stocks. Since no single investment does well under all economic conditions, your portfolio should consist of more than one type of investment. Having your money in several funds allows you to spread the risk. A portfolio that is diversified is typically less volatile and has less risk than one made up of one type of investment only.

Diversification does not eliminate risk. However, it can help reduce the volatility of your portfolio while providing attractive returns over the long run.



CORE FUNDS AND SELF-DIRECTED ACCOUNTS

CORE FUNDS OR SELF-DIRECTED ACCOUNTS

There are many investment options in the SPP and choosing the one that is best suited for your personal retirement needs may appear to be overwhelming. While the SPP is prohibited from giving investment advice, the program has made many information sources available to you to assist you in this important decision.

The SPP offers a wide variety of investment choices for your 401(k) Thrift Plan or your 457 DCP accounts. You can choose to invest in the Core Funds offered by the program or, if your investment goals require a greater level of flexibility, you can use the Self-Directed Account to increase your options.

Core Funds

The Core Funds offered by the program consist of a wide variety of mutual funds and investment options from a number of well known companies. They consist of money market, bond and equity or stock investments. Each of the options has a different objective and risk level to allow participants the ability to diversify their choices and to handle different market conditions.

The Core Fund options were carefully selected through a competitive bid process that evaluates the performance of the fund, the fund objectives, fund management and expense ratios of each. These funds are reviewed annually and if their performance no longer meets the SPP standard, the fund may be deselected and participants offered alternative choices. All of the Core Funds are "institutional" and offered at "no load, no fee" to SPP participants.

Resources for more information about Core Fund options are:

- The Savings Plus Program Investment Guide (SPP 0020) contains complete information about each of the core options to assist you in making program choices.
- Prospectuses from each of the mutual fund companies are available upon request from SPP or directly from the mutual fund company.

Self-Directed Accounts

The Self-Directed Account (SDA) was established to provide experienced investors an additional option in selecting and managing their SPP 401(k) Thrift Plan and 457 DCP accounts. It allows participants to direct up to 50% from their Core Account into their SDA account.

Using the SDA broker, participants can buy or sell a wide variety of mutual funds. Although you won't be limited to "no-load, no-fee" funds, at least 10% of the SDA mutual fund options are free of loads or transaction fees. The choice is up to you. In some instances, participants using this option will be required to pay transaction fees to the broker and will pay any fees, commissions or expenses related to the transactions they choose.

From the SDA, participants may choose to invest in stocks, bonds, U.S. Government Securities, corporate bonds and any of over 5000 mutual funds through the SPP broker, Dreyfus Investment Services Corporation (DISC). DISC is a subsidiary of Mellon Bank/Dreyfus Retirement Services Corporation and is a NASD registered Broker/Dealer.

SDA transactions will take place on any business day that the New York Stock Exchange (NYSE) is open. Trades may also be initiated after hours, on weekends and holidays through the VRS to be transacted on the next business day when the NYSE is open.

You can direct your funds back to the Core Account at any time you choose.

To set up an SDA account, you must request an enrollment kit from DISC. You can call the VRS 1-800-827-5000 and follow the prompts.

Resources and prospectuses for the SDA are all available from the DISC Brokers once you have enrolled in the option.



FEES

The Savings Plus Program is a fully reimbursable program. Fees collected from participant accounts provide program funding. Each plan — the 457 Deferred Compensation Plan and the 401(k) Thrift Plan — charges an administrative fee based upon the market value of your account at the end of each month.

Monthly Administrative Fee

If the value of your account is:	Your fee is:
\$0.01 -- \$19,999.99	\$ 2.00
\$20,000 -- \$34,999.99	\$ 2.40
\$35,000 -- \$49,999.99	\$ 2.70
\$50,000 -- \$99,999.99	\$ 3.00
\$100,000 and over	\$ 4.05

Transaction Fees

The following transaction fees will be assessed to your 457 DCP or 401(k) Thrift Plan accounts, as appropriate.

• Fund Transfer	no charge
• Check Payment Mailing Fee (periodic payments)	\$ 2.00
• Payment Set-up Fee	no charge
• Processing fee for return of overdeferrals	\$50.00

Other Transaction Fees

The following transactions require payment of fees by check or money order when you submit the request:

• Catch-up processing fee (457 DCP)	\$15.00
• Plan to plan transfer	\$25.00
• Rollover (401(k) Thrift Plan)	\$25.00
• Request for annuity purchase	\$25.00
• 401(k) Loan Initiation fee	\$50.00



PLAN DIFFERENCES

You may enroll in **either** the 457 Deferred Compensation Plan or the 401(k) Thrift Plan, or you may enroll in **both** plans. Which plan — if either — is best for you will depend upon your individual needs and future plans.

If your needs change, you may change plans. You may contribute to both plans, or you may stop deferrals to one plan and start deferrals to the other plan. The choice is yours! **You may NOT transfer monies from the 457 DCP plan to the 401(k) Thrift plan or vice versa.** Once you have contributed monies to a plan, they will remain in that plan.

Here is a summary of the plan differences:

	457 DCP	401(k) Thrift Plan
<i>Yearly maximum:</i>	<ul style="list-style-type: none"> • \$8,000 or 25% of your taxable gross salary, whichever is less UNLESS you are participating in "catch-up." 	<ul style="list-style-type: none"> • \$10,500 or 20% of taxable gross, whichever is less
<i>Routine withdrawals (not subject to tax penalties)</i>	<ul style="list-style-type: none"> • No age requirement; • Monies payable upon separation or retirement • Must elect a commencement date within 60 days after you retire or separate from State service. • Payment may be deferred until April of the year after your reach age 70 ½. 	<ul style="list-style-type: none"> • Age 55 if separated or retired, or • Age 59½ regardless of employment status • Notify the SPP of your request for distribution 60-90 days before you want your funds. • Payment may not be deferred beyond age 70 ½.
<i>Early withdrawals</i>	<ul style="list-style-type: none"> • Unforeseeable emergency • Voluntary withdrawal 	<ul style="list-style-type: none"> • Heavy financial need
<i>Payment options</i>	<ul style="list-style-type: none"> • Lump sum, • Periodic payments, • Purchase an annuity, • Partial lump sum combined with periodic payments, or • Annuity purchase 	<ul style="list-style-type: none"> • Lump sum, • Purchase an annuity, • Rollover to IRA or a qualified retirement plan, • Partial lump sum with remainder as annuity purchase
<i>Special Options</i>	<ul style="list-style-type: none"> • Catch-up provision • No loans 	<ul style="list-style-type: none"> • No catch-up provision • 401(k) Thrift Plan loan

If you have deferrals to **both** plans, your yearly deferrals are limited to no more than \$8,000 **or 25%** of your taxable gross, *whichever is less*.

Participants who earn \$32,000 or less and want to contribute the maximum allowed to both plans **MUST** contribute at least 7% (of taxable gross salary) to the 457 DCP.

Example: Joe earns \$24,000 per year. He wants to defer the maximum to both the 457 DCP and the 401(k) Thrift Plans. His yearly deferrals cannot exceed \$6,000 (\$24,000 x 25%). To meet the 7% minimum requirement, Joe will contribute \$1,680 a year to the 457 DCP and \$4,320 to the 401(k) Thrift Plan.

Requirements for "early" withdrawals

Each plan has different requirements for early withdrawal.

457 Deferred Compensation Plan Emergency Withdrawal	401 (k) Thrift Plan Hardship Withdrawal
<ul style="list-style-type: none"> • IRC Section 457 permits early distribution only for an unforeseeable emergency that you can demonstrate is beyond your control. • Examples <u>may</u> include catastrophic illness, a disabling injury, death of a dependent family member, or property damage from a natural disaster. You must provide documentation that you are not able to pay for these expenses by loan, insurance, or other income or assets. 	<ul style="list-style-type: none"> • You must have an immediate and heavy financial hardship. • Examples may include post-secondary education tuition for yourself or a dependent (current school year only); purchase of your primary home; to seek or pay medical expenses; or to pay expenses due to your disability, or the death of a family member.
<ul style="list-style-type: none"> • Approval for emergency withdrawal is not automatic. If approved, you may receive up to the full amount of your account balance. 	<ul style="list-style-type: none"> • IRC Section 401(k) limits early distributions to amounts that you have deferred only. You cannot receive any of the gains your monies have earned.
<ul style="list-style-type: none"> • You will be required to complete a W-4, Employee's Withholding Allowance Certificate, and taxes will be withheld as requested on the W-4. Your distribution will be taxed as ordinary income for federal and state income taxes. 	<ul style="list-style-type: none"> • SPP will not withhold state income tax.
<ul style="list-style-type: none"> • There is no tax penalty for early distribution of 457 DCP monies. 	<ul style="list-style-type: none"> • Your early distribution, may be subject to 10% federal and 2½% state tax penalties. • Tax penalties will NOT be withheld from your payment. All outstanding taxes are due and payable by April 15 of the year following distribution.
<ul style="list-style-type: none"> • You are prohibited from participation in the 457 DCP for one year. 	<ul style="list-style-type: none"> • You are prohibited from participating in both plans for one year.

457 Deferred Compensation Program Voluntary Withdrawal

You may withdraw your 457 DCP account if your total balance is \$5,000 or less, **and** you meet all of the following requirements:

- You have not contributed to the plan in the previous 24 months; and
- You have not received prior distributions from the plan under this provision; and
- You have not elected a commencement date for payments from the plan.

There is no tax penalty for this early distribution. It will be taxed as ordinary income for federal and state income taxes. Taxes will be withheld at a rate of single with zero allowances unless you complete a W-4, Employee's Withholding Allowance Certificate.





401(K) LOANS

Effective January 1, 2000, 401(k) Thrift Plan loans will be available to active employees. There are two types of loans available:

- General Purpose
- Primary Residence

You are permitted to have one loan of each type outstanding at any given time.

The loan feature allows you to borrow money from your 401(k) Thrift Plan and pay yourself back with interest. You repay your loan through convenient automatic payroll deductions. These deductions come from your after-tax pay.

If you are considering a 401(k) Loan, please request the SPP Loan Booklet through the VRS or the Internet. The booklet contains complete information about the regulations relating to loans.

Frequently Asked Questions

Who is eligible for a 401(k) Thrift Plan Loan?

You are eligible to apply for a loan if you are an active employee with a minimum of \$10,000 in your 401(k) Thrift Plan account. Your loan payments will be automatically deducted monthly from your pay warrant.

Who does not qualify for a loan?

SPP participants who are separated, retired, or have acquired their account as a beneficiary or through a QDRO of an employee.

What happens when I end my employment?

If your employment ends for any reason, the unpaid loan balance immediately becomes due. Payment must be made within 30 days of the date your employment ends. If you don't repay the loan, the principal amount of the loan becomes a taxable distribution. If you default, the loan balance in full will be reported as income and subject to federal and state tax penalties.

Can I transfer my loan to another plan?

You will not be allowed to transfer your loan to another 401(k) plan.

Can I transfer my 401(k) loan from a previous employer into the SPP?

No, you cannot transfer an existing loan from a previous employer into the SPP.

What happens if I do not repay the loan?

If you must take a loan, make sure you can pay it back. If your repayment is more than 90 days late, the SPP will consider your loan defaulted. The IRS considers a loan default as a premature withdrawal. So, not only will the IRS collect income taxes on that money, but early withdrawal penalties will also apply.

How do I apply for a loan?

You can apply for a loan through the SPP VRS. The system requires you to “model” your loan before your request is accepted. Modeling your loan is the process you use to determine the amount and period of your loan, as well as how much your repayments will be. Once the model is to your liking, you may initiate the loan.

Loan Guidelines

Here are some of the main features of the 401(k) Loan Program. Complete information is available in the SPP Loan booklet that is available from the VRS or the Internet.

Loan Feature	General Purpose	Primary Residence
Minimum account balance	\$10,000	\$10,000
Maximum loan period	5 years	15 years
Penalty for early payoff	None	None
Minimum loan amount	\$5,000	\$5,000
Maximum loan amount	The lesser of \$50,000 or 50% of your account balance minus highest outstanding loan balance in last 12 months.	The lesser of \$50,000 or 50% of your account balance minus highest outstanding loan balance in last 12 months.
Interest Rate	Prime rate plus 1%	Prime rate plus 1%
Loan Initiation Fee	\$50.00	\$50.00

Note: Taking a loan reduces your 401(k) Thrift Plan account balance and slows the growth of your retirement savings.



CATCH UP PROVISION

The 457 DCP has a special provision that allows you to “catch up” or to exceed the yearly maximum **IF**:

- You were eligible to contribute to the 457 DCP in past years and did not contribute your maximum to *either* the 457 DCP *or* 401(k) Thrift Plan; **and**
- You are within three years of "normal" retirement age.

If you believe you meet these conditions, contact the SPP office and request a Catch-up worksheet. If your application is approved, you may be able to contribute up to \$15,000 per year in the 457 DCP for a maximum of three years.

There are some *restrictions* to participating in catch-up:

- **You may enroll in Catch-up only once.** Once you start, you may stop but you will NOT be permitted to resume Catch-up. Even if you do not participate in Catch-up for all 12 months of a calendar year, the IRC considers that you have used one catch-up year.

Normal retirement age is defined as a range of ages ending no later than age 70 ½ and no earlier than the earliest age of voluntary retirement without actuarial reduction of the retirement benefit.

Normal Retirement Age for Catch-up (Effective January 1, 2000)

Retirement Category	Retirement Formula	Catch-up Contributions May Begin at Age
Miscellaneous	2% at 55	52
Safety	2.5% at 55	52
Peace Officer and Firefighter	3% at 55	47
Highway Patrol Officer	3% at 50	47

- Deferrals during a Catch-up year are limited to \$8,000 for normal yearly deferrals plus up to \$7,000 for catch-up deferrals (an annual total of \$15,000) or 80% of your monthly taxable gross, (whichever is less.)

Contributing to a 401(k) Thrift Plan during a Catch-up year

- You are limited to a yearly maximum of \$8,000 for normal yearly deferrals plus up to \$7,000 for catch-up deferrals (an annual total of \$15,000) or 80% of your monthly taxable gross, whichever is less.
- All **catch-up monies** must be deposited to your 457 DCP account.
- You must contribute at least 7% of your taxable gross (of the 25% yearly maximum) to the 457 DCP.

Retiring immediately after a Catch-Up year

The IRC regulations require catch-up in years *before* retirement, you **cannot** participate in catch-up during the same calendar year in which you retire. If you do, all deferrals over your plan maximum will be returned to you — minus an overdeferral processing fee (\$50.00)

Example 1: Your retirement date is **December 31, 1998**. You **cannot** participate in catch-up anytime during the calendar year without being overdeferred.

Example 2: Your retirement date is **January 1, 1999**. You can participate for calendar year 1998, but you must stop your catch-up deferrals before the **December** pay period (the check you receive early in January). To do this, your request must be received in the Savings Plus Program office by November 30. Some participants who are members of Legislators' Retirement System (LRS) or Judges' Retirement System (JRS) must stop catch-up deferrals by the November pay period (the check you receive in early December).



MAKING CHANGES

After you have enrolled in the Savings Plus Program, you may need to change your address or beneficiary, or you may want to change the amount you are contributing, etc. In some instances, you are responsible for providing specific certification directly to the SPP.

Change of Address

If you are an active employee, you must submit address changes directly to your employer. If you are retired or separated, you may change your address by calling the VRS. After entering your Social Security Number and PIN, select “0” to speak to a Customer Service Representative.

Change of Beneficiaries

If you wish to change beneficiary designations, you must complete a new SPP Beneficiary Designation Form and submit it to the SPP.

Forms are available on the SPP website (www.dpa.ca.gov) or at the SPP office.

Change in Investment Options

You may use the VRS or the Internet to request a transfer. Transfers completed before 1:00 p.m. Pacific Time (or the closing time of the NYSE) each business day will be executed on the same day. If transfers are completed after 1:00 p.m. (or the close of the NYSE), the transaction will be posted at the close of the next business day.

You may change or cancel a requested transaction any time before the 1:00 p.m. cutoff time. A confirmation notice of your transfer(s) will be mailed within two business days.

Change Monthly Deferral Amounts

You may increase or decrease the amount you are deferring for any or all investment options. Also, you may stop or start deferrals to any of the investment options. These changes may be made as often as once a month.

If your request is made by 1:00 p.m. Pacific Time on the last day of the month, your change will be effective with the **next** pay period.

Example:	<i>Your request is made by 1:00 p.m. Pacific Time. on November 30. Your change will be effective with the December pay period (the check you will receive in early January).</i>
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Important! When you separate or retire from state service, you must stop your deferrals. If you don't — and you return to state service — the deferrals will begin again.

Changing Your PIN

When you enroll in the Savings Plus Program, you will receive a Personal Identification Number (PIN). You may change this number through the VRS. Also, if you should forget your PIN, you may call the VRS and request a reminder to be sent to your address of record.





TRANSFERRING INVESTMENTS

You may transfer where all or a part of your plan contributions are invested.

Example: You previously deferred monies into an investment fund (Fund A). The balance in Fund A is now \$1,000. You may transfer all or any portion of the \$1,000 to any of the other investment options available through the SPP. (Remember that you **cannot** transfer from a 457 DCP fund into a 401(k) Thrift Plan fund, or vice versa.)

If you want to transfer 100% of a fund's balance, and you are currently deferring to that fund, you must cancel your deferrals to that fund. Because deferrals are invested no later than the 3rd and 25th of the month, you will avoid leaving a balance if you do your transfer after these dates.

Transfer Limitations

There is no limit on the number of transfers you may do. However because of system limitations, you may transfer *from* a fund only once daily.

Example: You transfer monies from Fund A into Fund B. **Fund A** may not be accessed again that same day for additional transfers. This applies regardless whether you want to transfer monies into Fund A or from Fund A.

Fund B may be accessed again that same day if you want to transfer additional monies into Fund B. It cannot be accessed on the same day to transfer additional monies from Fund B.

Transfers requested by telephone on the Voice Response System (VRS) and the Internet may be performed 24 hours a day, 365 days a year. However, there are short periods when maintenance is needed and the system is not available for use.

There are specific restrictions on transferring from the *Insurance Investment Fund Plus (IIF)*. You cannot transfer IIF monies directly to the SDA. The sweep account is a money market fund. If you want to transfer IIF monies to the SDA, you must hold these monies in an Equity fund for at least 90 days. If you want to transfer IIF monies to a Fixed-income option, such as a Stable Principal Fund, Money Market fund or a Bond fund, you must provide a written 12-month advance notice to the Savings Plus Program.



RECORDKEEPING SERVICES

The SPP contracts with a Trustee/Recordkeeper to maintain individual accounts for the State of California's Savings Plus Program. It also:

- Issues payments
- Issues quarterly statements

Quarterly Statements

Four times a year — in April, July, October, and January — you will be mailed a consolidated statement. The statement will contain beginning balances, transaction history, including fees, ending balances, and number of shares for each of your funds, values and plan totals. If you have accounts in both the 457 DCP and 401(k) Thrift Plan, account information for both plans will appear on one statement.

To assist you with monitoring performance for all investment options the SPP offers, the **Fund Performance** section of your quarterly statement provides quarterly details.



ROLLOVERS OR PLAN TRANSFERS

Rollovers (401(k) Thrift Plan only)

Participants in the 401(k) Thrift Plan may request that their monies be transferred, or "rolled over," into another employer's qualified retirement plan or to a rollover IRA. The new employer's retirement plan must meet the IRC definition of "qualified" and agree to accept the 401(k) Thrift Plan monies.

Also, you may request a rollover *into* the Savings Plus Program from a past employer if that employer meets the IRC definition of "qualified." To request a rollover, call the Savings Plus Program office and request that forms be mailed to you.

Plan to Plan Transfers (457 DCP only)

If you leave state service to accept employment with another government (city, county or another state) agency, you may request that your 457 DCP monies be transferred to your new employer. However, your new employer must offer a Deferred Compensation Plan (457) **and** accept your 457 monies.

You also may request a plan to plan transfer *into* the Savings Plus Program from previous employment with another government agency. To request a plan to plan transfer, contact the Savings Plus Program and request that the required forms be mailed to you.



SAVINGS PLUS PROGRAM RESOURCES

Transaction Authorization Form

Transaction Authorization Forms may be obtained from most personnel offices or from the SPP office. You must complete this form and submit it to the SPP office to enroll in the program.

Stake a Claim For Your Future Booklet (SPP 0010)

The "Stake a Claim For Your Future" booklet is available from the SPP office. The booklet (item # 7540 980 1010 0) may also be ordered from Forms Management Center at the Department of General Services.

Investment Guide (SPP 0020)

The Investment Guide contains information about all the core funds and is available upon request from the Savings Plus Program office.

"Reach for the Top" Enrollment Kit (SPP 0030)

For those who are new to the program, the Reach for the Top enrollment Kit contains tools and information to help you make decisions about your initial enrollment in the program. It also includes copies of the Transaction Authorization Form, Stake a Claim for Your Future Booklet and the Investment Guide.

Benefit Payment Application

The Benefit Payment Application forms are used to make your selections at the time of your separation or retirement. There is a separate form for each of the two plans. These are available by VRS or Internet request or from the SPP office.

Emergency/Hardship Withdrawal Forms

Early withdrawal request forms are available from the SPP office. SPP Customer Service Representatives can assist you with the guidelines for making these requests.

Prospectuses

Before you invest in a mutual fund, you should read the prospectus to learn more about it. You can request a prospectus for any of the Core Plan mutual funds from the SPP office.

Self-Directed Account (SDA) Enrollment Kit

To set up a SDA, you must request an enrollment kit form DISC. Call the VRS and follow the prompts.

Savings Plus Program Website

Much of the information and forms mentioned in this section can be found on the SPP website at www.dpa.ca.gov

Savings Plus Program e-mail

The SPP has set up an e-mail address at saveplus@dpa.ca.gov to answer your program questions. We cannot make any changes to your account through e-mail, but you can request materials and ask for clarification of any areas about the program that may be unclear to you.

Savings Plus Program Educational/Informational Presentations

The SPP staff is committed to providing you complete information on the program. To request a presentation for your group of 50 or more people, please contact the SPP Communications Unit.



Section II

PLANNING FOR YOUR RETIREMENT

Making decisions about your financial future is a critical part of your retirement planning process. There are many sources of income that you should consider as you make your choices for the distribution of your SPP funds. Some of them are: anticipated income from Social Security, CalPERS, other pensions, investments, annuities, interest, rent, etc.

You may wish to consult a financial adviser or your local library for publications to help you decide the amount of income you will need to meet your living expenses and to provide some flexibility for inflation or for emergencies. As our average life expectancy increases, you may need to extend your income planning. Remember that many people live to be 100 years old!

This section covers your options for disbursements from the Savings Plus Program, but it is up to you to consult with financial and tax experts to make the best choices to ensure a comfortable retirement.



ARRANGING FOR PAYMENTS

How Accounts are Paid

Your Savings Plus Program account is a long-term tax deferred savings program designed to supplement your retirement income. There are two ways that you may arrange to withdraw from the account. The usual withdrawal processes occur after retirement, but, because of the long-term nature of the program, participants may encounter certain emergency situations, which would permit early withdrawal of funds. If you meet the plan requirements for routine withdrawal, you may request a distribution of your monies. Your distribution will be issued within 60 days from the date all required documents are received by the Recordkeeper.

Each plan has specific rules relating to divorce or legal separation. Please contact the SPP office for specific information regarding payout options.

Withdrawals at Retirement

To arrange for a payout of your account, you must:

1. Request a Benefit Payment Application kit;
2. Choose a starting or "commencement" date for your payments to begin.
3. Mail the completed forms to the Recordkeeper as instructed in the package.

Select A "Commencement Date" (457 DCP only)

You must select a date for your 457 DCP payment(s) to begin. That date is called your "commencement date."

1. If you are enrolled in the 457 Deferred Compensation Plan, you must notify the Savings Plus Program (SPP) of your commencement date **NO LATER THAN 60 days after** your retirement or separation from State service, regardless of when you want to receive your funds.
2. If you are enrolled in the 401(k) Thrift Plan, it is not necessary to elect a commencement date.
3. The earliest that you can receive payment is approximately 45-60 days after your application is received.

4. The latest you can defer commencement of payments, is by April 1st of the next calendar year following the later of:
 - The calendar year that you attain age 70½, or
 - The calendar year that you retire.
5. You may postpone your commencement date to a future date.
6. The 457 DCP allows you to further delay the commencement of payments only once beyond your original election which may be otherwise irrevocable.





CHOOSING THE METHOD OF PAYMENT

Once you have decided when you want your payments to begin, you then must specify how (payment method) you want to receive your funds. Here are your choices:

	401(k) Thrift Plan	457 DCP
Lump Sum Payment	yes	yes
Periodic Payments	no	yes
Purchase an Annuity	yes	yes
Partial Lump Sum w/remainder in Periodic Payments	no	yes
Partial Lump Sum w/remainder paid as an Annuity	yes	yes
Rollover to an IRA	yes	no
Rollover/transfer to a new qualified/eligible employer plan	yes	yes

Before choosing your payment method, you will need to consider many things. For example, the tax implications of your choice, your life expectancy, financial obligations, family size, and other retirement plans that you may have. If you should change your mind about the payment method chosen, you have up to 60 days before your commencement date to notify the SPP and make a change.

LUMP SUM PAYMENTS

A request for a Lump Sum payment means that a check will be issued to you for your entire account balance. In many cases, income taxes may be due in the year in which you received a lump sum payment.

Tax Consequences of a Lump Sum Payment

401(k) Thrift Plan	457 Deferred Compensation Plan
<ul style="list-style-type: none">• 20% federal income taxes will be withheld. State taxes are <u>not</u> withheld.• You have 60 days to <i>rollover</i> your funds to delay the tax liability.• The 401(k) lump sum payment may qualify for special tax treatment (contact your tax advisor).	<ul style="list-style-type: none">• Lump sum payments are reported to the Internal Revenue Service as ordinary income. State (for California residents) and Federal income tax is withheld based on the W-4 Form you complete.• According to IRC regulations, your 457 lump sum payment is <u>not</u> eligible for special tax treatment.

PARTIAL LUMP SUM DISTRIBUTIONS

This method allows you to receive a designated portion of your funds. The remaining funds may be paid as a fixed amount or fixed period payment over a period of time that you select (for the 457 DCP only) or used to purchase an annuity (both the 401(k) and the 457 DCP), or as an IRA rollover (401(k) only.)

	401(k) Thrift Plan	457 DCP
Partial lump sum and periodic payments	no	yes
Partial lump sum and purchase an annuity	yes	yes
Partial lump sum and rollover to IRA or qualified employer plan	yes	no

If you elect to receive the balance of your 457 DCP account in periodic payments, the periodic payments (the portion of your funds disbursed over time) **must begin no later than December of the year following receipt of your partial lump sum.** For example, if you receive a partial lump sum in June, your periodic payments must begin by December of the following year.

- You must receive a partial lump sum payment **before** you begin receiving periodic payments **or** before you purchase an annuity.

ROLLOVERS (401(k) Thrift Plan Only)

Rollover to an IRA or an Annuity

A 401(k) Thrift Plan fund *rollover* allows you to reinvest your funds and defer taxes. There are many advantages to rolling your funds over to an IRA or an annuity. By rolling over your 401(k) Thrift Plan funds, you postpone disbursement and delay paying taxes on these funds until you actually receive them. In addition, interest and dividends continue to accumulate on a tax-deferred basis.

Rollover to A New Employer's Plan

If you should change employers, you may be able to rollover your 401(k) Savings Plus funds to your new employer's retirement plan. You must contact the administrator of the new retirement plan to determine if the plan will accept your rollover.

Different Ways to Rollover Funds

There are two ways you may roll over your funds. You may have the check made payable to you, or it may be made payable to the institution (i.e., the company investing your funds into an IRA(s), the insurance company from which you purchase an annuity, or another employer plan).

If the check is made payable to you, Federal taxes will be withheld at the rate of 20%, whether or not you roll over your funds within 60 days. If you want to roll over 100% of your funds, you should request a direct rollover. If the check is made payable to the institution, for your benefit, no taxes are withheld. You will be taxed on these funds only when you start receiving them. For more information on rollovers, you should consult a tax adviser.

PERIODIC PAYMENTS (457 DCP Only)

The **PERIODIC PAYMENT** option permits you to choose monthly or annual payments. You can specify either:

- **Fixed Period**, the **length** of time over which you will receive your funds from your 457 DCP plan account, or
- **Fixed Amount**, a specific dollar amount you designate

Payments may be spread over a **minimum of one year and a maximum of your life expectancy or, the combined life expectancy of you and your beneficiary**. Life expectancy charts have been provided for these calculations.

NOTE: *Once payments begin, you cannot change your payment method or the length of time over which you will receive them. This decision is irrevocable! Care should be taken in selecting this option.*

Calculating Payment Amounts

Fixed Period payments are calculated by dividing your account balance by the number of payments that you wish to receive. Your payments will be recalculated every month, or annually, after interest or dividends are applied. By recalculating your payments, your account balance will be exhausted at the end of your payment schedule.

Example:

Lois retired with a 457 DCP account of \$50,000. She elected to receive 10 annual payments.

Assume an annual account growth rate of 6%

Payout Year	1	2	3	4	5	6	7	8	9	10
Account Balance	\$50,000	47,700	44,944	41,685	37,873	33,454	28,369	22,553	15,938	8,447
Annual Payment	\$5,000	5,300	5,618	5,955	6,312	6,690	7,092	7,517	7,969	8,447

Assume an annual account growth rate of 10%.

Payout Year	1	2	3	4	5	6	7	8	9	10
Account Balance	\$50,000	49,500	48,400	46,585	43,923	40,263	35,432	29,231	21,436	11,789
Annual Payment	\$5,000	5,500	6,050	7,320	8,052	8,858	9,743	10,718	11,789	11,789

Fixed Amount payments allow you to receive payments of the same amount within each year. Beginning the second calendar year, your fixed amount will increase each year based on the federally defined Cost of Living Adjustment (COLA). If your payments continue beyond age 70 ½, your payment amount may increase to ensure that your funds are paid within your life expectancy in accordance with Internal Revenue Code, Section 457 Regulations.

Your minimum fixed amount must be at least equal to one of the following:

- Annual Payments – Divide your current account value by the number of years according to your life expectancy.
- Monthly Payments – Divide your current account value by the number of years according to your life expectancy. Divide the dollar value you arrived at by 12 (number of months in the year).

Example: Bob has a current balance of \$40,000 and selected a Fixed Amount payment of \$2,000 annually. He is currently 65 years old with a single life expectancy of twenty years. Since his Fixed Amount is equal to the amount derived by dividing his account balance by his life expectancy (\$40,000 divided by 20 years = \$2,000), his request would comply with the requirement.

The periodic payment option offers the advantage of a steady source of retirement income, and you can avoid the tax consequences of a lump-sum payment. Also you retain control of how your funds are invested. As before retirement, you can continue to transfer any or all of your investments to options that continue to meet your needs.

Tax Consequences of Periodic Payments

As with lump sum payments, periodic payments are taxed as ordinary income. State and Federal taxes are withheld based on the W-4 Form you complete. You will be issued a W-2 form showing the amount paid to you by January 31 of each year.

ANNUITIES (Specific to companies offered under the program)

An annuity is a binding agreement between you and a life insurance company. The life insurance company agrees to provide fixed monthly payments for your lifetime (this is a fixed annuity; variable annuities are not available). You purchase the annuity with a single cash payment (the premium) in return for guaranteed monthly payments commencing immediately.

Upon request, annuity quotations are provided by the life insurance companies just prior to the planned commencement of payments. The amount of the monthly payment will vary depending on the form of annuity you purchase and the premium

you pay. Annuity quotations tell you how much you would receive each month from each form of annuity, based on a given premium.

Annuity purchases are subject to an administrative fee by the insurance company, an SPP processing fee, and a premium tax in accordance with the participant's state of residency. The rate of the premium tax for the State of California is set by the California Constitution as a percentage of the purchase price. As of the date of this printing the premium tax for the 457 Plan is 2.35% and for the 401(k) Plan is 0.5%. Insurance companies issuing annuities to the SPP deduct the amount of this premium and apply the net proceeds to the purchase of your annuity.

There are various types of annuities to choose from, for more information please contact the SPP office.

BENEFITS PAYABLE UPON YOUR DEATH

If you die before all your 457 DCP funds are paid out through **periodic payments**, the remaining funds are payable to your beneficiary. In general, your beneficiary is allowed to select from any of the payment options that are available to 457 DCP participants with certain exceptions.

Spousal beneficiaries are allowed to receive payments spread over their lifetime or the remainder of the participant's original choice, whichever is less. Non-spousal beneficiaries are allowed to receive payments spread over 15 years or the remainder of the participant's original choice, whichever is less. If your estate/trust is named as beneficiary, the remaining funds are generally paid in a lump sum.

LIFE EXPECTANCY CHARTS

The following actuarial charts have been provided to help you determine your life expectancy and the combined life expectancy for you and your beneficiary. **Federal law does not permit your payment schedule to exceed your life expectancy or the combined life expectancy for you and your beneficiary.** The information in these charts has been obtained from Internal Revenue Publication 575.

UNISEX - ONE LIFE ACTUARIAL TABLE FOR DETERMINING LIFE EXPECTANCY

The following chart should be used to determine your life expectancy.

Age	Life Expectancy in Years	Age	Life Expectancy in Years
50	33	63	21
51	32	64	20
52	31	65	20
53	30	66	19
54	29	67	18
55	28	68	17
56	27	69	16
57	26	70	16
58	25	71	15
59	25	72	14
60	24	73	13
61	23	74	13
62	22	75	12

TWO LIVES ACTUARIAL TABLE FOR DETERMINING LIFE EXPECTANCY (UNISEX)

These actuarial charts are used in determining a participant and beneficiary's combined life expectancy. Find the age of the **older** of yourself or your beneficiary on the top. The number at the intersection of the two ages is the combined life expectancy.

	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68
45	44																							
46	43	43																						
47	43	42	42																					
48	42	42	41	41																				
49	42	41	41	40	40																			
50	42	41	40	40	39	39																		
51	41	41	40	39	39	38	38																	
52	41	40	40	39	38	38	37	37																
53	41	40	39	39	38	37	37	36	36															
54	40	40	39	38	38	37	36	36	35	35														
55	40	39	39	38	37	37	36	35	35	34	34													
56	40	39	38	38	37	36	36	35	35	34	33	33												
57	40	39	38	37	37	36	35	35	34	34	33	33	32											
58	39	39	38	37	36	36	35	34	34	33	33	32	32	31										
59	39	38	38	37	36	35	35	34	33	33	32	32	31	31	30	29								
60	39	38	37	37	36	35	34	34	33	32	32	31	31	30	30	29	29							
61	39	38	37	36	36	35	34	33	33	32	32	31	30	30	29	29	28	28						
62	39	38	37	36	35	35	34	33	33	32	31	31	30	29	29	28	28	27						
63	38	38	37	36	35	34	34	33	32	32	31	30	30	29	28	28	27	27	26					
64	38	38	37	36	35	34	34	33	32	31	31	30	29	29	28	28	27	26	26	25				
65	38	37	37	36	35	34	33	33	32	31	30	30	29	28	28	27	27	26	26	25	25			
66	38	37	36	36	35	34	33	32	32	31	30	29	29	28	27	27	26	26	25	25	24	24		
67	38	37	36	36	35	34	33	32	31	31	30	29	29	28	27	27	26	25	25	24	24	23	23	
68	38	37	36	35	35	34	33	32	31	31	30	29	28	28	27	26	26	25	24	24	23	23	22	22
69	38	37	36	35	34	34	33	32	31	30	30	29	28	27	27	26	25	25	24	24	23	22	22	21
70	38	37	36	35	34	34	33	32	31	30	29	29	28	27	26	26	25	24	24	23	23	22	22	21
71	38	37	36	35	34	33	33	32	31	30	29	29	28	27	26	26	25	24	24	23	22	22	21	21
72	38	37	36	35	34	33	32	32	31	30	29	28	28	27	26	25	25	24	23	23	22	21	21	20
73	38	37	36	35	34	33	32	32	31	30	29	28	27	27	26	25	24	24	23	22	22	21	21	20
74	38	37	36	35	34	33	32	31	31	30	29	28	27	27	26	25	24	24	23	22	22	21	20	20
75	38	37	36	35	34	33	32	31	31	30	29	28	27	26	26	25	24	23	23	22	21	21	20	19
76	38	37	36	35	34	33	32	31	30	30	29	28	27	26	26	25	24	23	23	22	21	20	20	19
77	38	37	36	35	34	33	32	31	30	30	29	28	27	26	25	25	24	23	22	22	21	20	20	19
78	38	37	36	35	34	33	32	31	30	29	29	28	27	26	25	25	24	23	22	21	21	20	19	19
79	37	37	36	35	34	33	32	31	30	29	29	28	27	26	25	24	24	23	22	21	21	20	19	19
80	37	37	36	35	34	33	32	31	30	29	29	28	27	26	25	24	24	23	22	21	21	20	19	18
81	37	37	36	35	34	33	32	31	30	29	28	28	27	26	25	24	23	23	22	21	20	20	19	18
82	37	36	36	35	34	33	32	31	30	29	28	28	27	26	25	24	23	23	22	21	20	20	19	18
83	37	36	36	35	34	33	32	31	30	29	28	28	27	26	25	24	23	23	22	21	20	19	19	18
84	37	36	36	35	34	33	32	31	30	29	28	27	27	26	25	24	23	22	22	21	20	19	19	18

	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84
69	21															
70	21	20														
71	20	20	19													
72	20	19	19	18												
73	20	19	19	18	18											
74	19	19	18	18	17	17										
75	19	18	18	17	17	16	16									
76	19	18	18	17	17	16	15	15								
77	18	18	17	17	16	16	15	15	15							
78	18	18	17	16	16	15	15	15	14	14						
79	18	17	17	16	16	15	15	14	14	13	13					
80	18	17	17	16	15	15	14	14	14	13	13	12				
81	18	17	16	16	15	15	14	14	13	13	12	12	12			
82	17	17	16	16	15	14	14	13	13	13	12	12	11	11		
83	17	17	16	15	15	14	14	13	13	12	12	11	11	11	10	
84	17	17	16	15	15	14	14	13	13	12	12	11	11	10	10	10



PAYMENT OPTIONS FOR BENEFICIARIES

It is very important that all SPP participants have beneficiaries designated for their accounts. Upon the death of a participant, survivors must contact the SPP office and provide the documentation to start the process to assign the accounts to the designated beneficiary.

401(k) Thrift Plan Payment Options for Beneficiaries

Upon a participant's death, all monies remaining in the participant's 401(k) Thrift Plan account are payable to the surviving spouse (if applicable), or designated beneficiary, estate, or trust if a spousal consent has been submitted.

Generally, a beneficiary may choose from the payment options available to participants. Payments to estates or trusts are always paid in a lump sum.

457 DCP Payment Options for Beneficiaries

Upon the death of a participant, all monies are payable to the participant's designated beneficiary. If no beneficiary is designated, the monies are paid to the participant's estate or to an established trust. Estates are always paid in a lump sum payment.

Important! *How a trust is paid is dependent on how the trust is structured. Estate planning is a very complex issue. You are urged to seek legal advice in this matter.*

If the participant began distribution before death, the beneficiary may choose a lump sum payment or periodic payments. However, the length of time over which payments can be made should not exceed the deceased participant's payment schedule.

If the participant did **not** begin distribution before death, the beneficiary has the same payment choices as if he or she were the participant *with some restrictions*. If the beneficiary is the **surviving spouse** of the participant --- the spouse shall not be paid over a longer period than his or her actuarial life expectancy.

If the beneficiary is **not** the surviving spouse of the participant — and chooses a form of distribution that includes continuing payments — he or she shall not be paid over a longer period than 15 years.

For more information concerning payment options upon the death of a beneficiary, contact the SPP.



PAYMENTS

Payment Dates

Payments are made within the first five (5) business days of the month. Payments cannot be made unless all required forms are completed and received by the SPP office 60 days before your commencement date.

All payroll deductions must be completed before the first SPP payment can be made. For example, you retire in January and have a payroll deduction in your January payroll. This deduction is invested in February. Since you must give the SPP office 60 days' notice, your first payment (or lump sum payment) can be issued no earlier than April 1st. If there are late payroll transactions, your payment may be delayed.

Direct Deposit/Electronic Transfer

In your retirement package is a Direct Deposit/Electronic Funds Transfer Authorization form. By completing this form, you may have your funds electronically transferred to your financial institution. There is no fee for the electronic transfer.

Payment Checks

Checks are issued by the SPP recordkeeper and are mailed directly to you or your financial institution. A fee of \$2.00 per check will be automatically assessed.

The recordkeeper has five (5) business days from the first of each month to mail out checks. Checks cannot be reported lost or stolen until the 15th working day of the month.



GLOSSARY OF TERMS

The following terms are defined as they are used by the Savings Plus Program.

Account:	The record of your balance and transactions for all of your investment funds. You can have a 457 DCP account and a 401(k) Thrift Plan account.
Account number:	Your Social Security number.
ACH:	Acronym for automated clearinghouse. Used interchangeably with "direct deposit" or "EFT."
Aggressive:	A bold investment approach that takes higher risks in return for potentially higher rewards.
Annualized rate of return:	The average return over a period of years.
Beneficiary:	A recipient of your 457DCP or 401(k) Thrift Plan funds upon your death.
Capital appreciation:	The increase in the market value of shares (e.g., when the selling price of a share increases).
Compounding:	The effect of earnings (interest or dividends) previously applied to your account earning additional interest or dividends and increasing your return. Reinvesting your earnings lets you take advantage of compounding.
Consumer price index:	The change in consumer prices determined monthly by the U.S. Bureau of Labor Statistics, often cited as a general measure of inflation.
Contribution:	All or a portion of your deferrals posted to investment option(s).
Deferral:	The total contributions you have deducted from your paycheck.
Direct deposit:	A payment that is wired to your financial institution and deposited directly into your account.
Distribution:	A payment from the Savings Plus Program.
Diversification:	Investing in a variety of investment categories or funds. This strategy is designed to offset investment risk of potential market declines for investments with greater risk.
Dividend:	Earnings paid by a mutual fund. Depending on the fund where you have monies invested, dividends may be paid monthly, quarterly, or annually.
EFT:	Acronym for "electronic fund transfer."
403(b) TSA:	A qualified retirement plan for teachers and employees where educational services are delivered as approved by the Internal Revenue Code (IRC). Named for the section of the IRC authorizing its use; also known as "TSA" or tax-sheltered annuity plans.
Ginnie Mae:	A security backed by a pool of mortgages guaranteed by the Government National Mortgage Association (GNMA), with principal and interest payments made by homeowners.

Government Security:	Any debt obligation issued by the U.S. government, its agencies or instrumentalities (subsidiary branches). Certain securities, such as Treasury bonds and Ginnie Maes, are backed by the government as to both principal and interest payments. Other securities, such as those issued by the Federal Home Loan Mortgage Corporation, or Freddie Mac, are backed by the issuing agency.
Historical yield:	The actual yield over any given period measured from the beginning of the period.
Individual Retirement Account (IRA):	A tax-deferred savings plan to which 401(k) funds can be transferred.
Inflation:	A rise in the price of goods and services caused by too much money and not enough goods; often equated with loss of purchasing power.
Interest:	Money that is paid for the use, or loan, of your money. Interest is usually expressed as a percentage of the amount loaned.
Investment company:	A firm that pools the assets of many individuals to invest toward a stated goal. (See also mutual fund .)
Maturity date:	The date on which the principal of a bond must be repaid.
Mutual fund:	An investment company that pools the assets of individuals to invest toward a common goal. Generally a mutual fund offers an unlimited number of shares and will buy back shares at any time.
Plan-Plan Transfer:	The transfer of 457 DCP monies from one eligible 457 DCP plan to another eligible 457 DCP plan.
Portfolio:	Any combination of more than one investment.
Prospectus:	The legal document that describes the investment policies of a mutual fund and provides key financial data and other essential information.
Retired annuitant:	An individual who has retired from State service and who is receiving a retirement allowance from the State of California.
Rollover:	The transfer of 401(k) monies from a qualified 401(k) plan to another 401(k) plan, an IRA, or an annuity.
SDA:	Self-Directed Account. An option that allows participants to invest 457 DCP and 401(k) Thrift Plan funds in a wide variety of investment choices through a broker authorized by the SPP.
Share:	A unit of ownership.
Total Return:	A combination of dividends and capital appreciation, usually expressed on an annual basis.
Trust:	A legal arrangement through which title to plan assets is given to one party to manage for the benefit of others.
VRS:	Acronym for Voice Response System, the automated touch-tone telephone system that allows you to access your account information, to perform transfers and make payroll changes.
Yield:	The rate at which an investment pays out interest or dividend income, expressed in percentage terms. It is calculated by dividing the amount paid by the price of the security and annualizing the result.



INDEX

A		L	
actuarial charts	38	Lump Sum payment	33
arrange for a payout	31	M	
B		minimum amount	7
balanced funds	9	monthly administrative fee	14
beneficiary	22, 37, 40	N	
Beneficiary Designation Form	22	Nonspousal beneficiaries	37
bond funds	9	O	
Bond funds	9	overdeferral	21
C		P	
calculating periodic payments	35	Partial lump sum	34
catch up	20	payment method	33
Central recordkeeper	41	payments	33
change beneficiary	22	Payroll deductions	41
change your address	22	Periodic payments	35
check mailed directly to you	41	Personal Identification Number (PIN).	23
checks reported lost or stolen	41	plan to plan transfer	26
commencement date	31, 32, 33, 41	prohibited from participating	8
Core Funds	12	R	
D		restrictions on redirecting from the	
death	16, 40, 42	Insurance Investment Fund Plus (IIF).	24
deferrals to both plans	7	return to State service	8
deselected	12	risk	5, 9, 10, 11, 12, 42
Direct Deposit/Electronic Funds Transfer		risk tolerance	10
Authorization	41	rollover	15, 26, 33, 34, 35
Diversification	11	rollover into the Savings Plus Program	26
divorce or legal separation	31	S	
E		secondary account	8
early withdrawal	16	Self-Managed Account	10, 12, 13, 43
eligible to participate	7	Social Security	6
equity funds	9	Spousal beneficiaries	37
F		stable principal funds	9, 11
Federal taxes	35, 36	stable principal investment	9
first payment	41	statement	25
funds electronically transferred	41	summary of the plan differences	15
I		T	
increase or decrease the amount	22	tax advantages	6
investment options	5, 9, 10, 12, 22, 24	tax penalties	16
IRC regulations	21, 33	Taxable gross salary	7, 15, 16

time horizon	11	V	
transaction fees	14	VRS redirections	22
transfer	24	Y	
Trustee/Recordkeeper	25	Yearly maximum	15

